

Message Text

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PAGE 01 LA PAZ 06251 041818Z

ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 PA-01 SP-02 SS-15 NSCE-00 SSO-00
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DOE-15 SOE-02 DOEE-00 IO-13 HA-05 AID-05 ACDA-12
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O R 041700Z AUG 78

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC IMMEDIATE 2004

INFO AMEMBASSY BOGOTA

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

C O N F I D E N T I A L LA PAZ 6251

PASS TREASURY FOR TURBAY INAUGURATION DEL

EO 11652: GDS

TAGS: PINT BL

SUBJECT: BOLIVIA'S NEW PRESIDENT, GENERAL JUAN PEREDA

1. BOLIVIA'S NEW PRESIDENT, AIR FORCE GENERAL JUAN PEREDA ASSUMED POWER JULY 21, IN A BLOODLESS COUP WHICH DEPOSED GENERAL HUGO BANZER, BOLIVIA'S ONLY LEADER OF NATIONAL STATURE IN THE LAST DECADE. PEREDA WILL NOT BE BOLIVIA'S LEADER IN THE NEXT DECADE; HE IS NOW SEEN BY EVERYONE, INCLUDING HIMSELF, AS A TRANSITIONAL FIGURE BETWEEN PAST MILITARY GOVERNMENT AND AN ELECTED, CIVILIAN REGIME TO TAKE POWER AT THE END OF PEREDA'S RULE, PROBABLY IN EARLY 1980.

2. PEREDA WON A PLURALITY (EVEN DISCOUNTING FRAUDULENT VOTES) IN THE JULY 9 ELECTIONS, WHICH WERE SUBSEQUENTLY ANNULLED, AND IS NOT AN UNPOPULAR FIGURE IN BOLIVIA. YET, HE HAS HAD GREAT DIFFICULTY IN CONSOLIDATING THE STILL
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LA PAZ 06251 041818Z

VERY FRAGILE POSITION OF HIS GOVERNMENT--MAINLY BECAUSE OF THE BITTER DIVISIONS IN THE MILITARY CREATED BY THE PEREDA COUP, WHICH FOR A BRIEF MOMENT THREATENED CONFLICT AMONG MILITARY UNITS. ON SUNDAY, AUGUST 6, PEREDA IS SCHEDULED TO OUTLINE HIS PLAN FOR RETURNING BOLIVIA TO ELECTED, CIVILIAN GOVERNMENT BY EARLY 1980. THIS PLAN, WHICH APPEARS TO BE A REASONABLE AND SINCERE

ONE HAS BEEN DEVELOPED OVER THE PAST WEEK IN CONSULTATION WITH MILITARY UNITS AND SOME OF BOLIVIA'S KEY POLITICAL PARTIES. WHILE THE US HAS HELPED NUDGE PEREDA TOWARD NEW ELECTIONS, THE MAIN OBJECTIVE OF HIS PLAN IS NOT TO PLEASE THE US, BUT TO GIVE HIM ENOUGH LEGITIMACY TO GOVERN PEACEFULLY FOR 18 MONTHS OR SO, WITHOUT MILITARY COUPS, GENERAL STRIKES, OR OTHER VIOLENT OPPOSITION. PEREDA NEEDS THIS PAX BOLIVIANA NOT ONLY TO ASSURE DOMESTIC STABILITY BUT ALSO TO CREATE A POLITICAL BASE FOR THE TOUGH ECONOMIC DECISIONS HE FACES. BOLIVIA'S MAIN ECONOMIC PROBLEMS IN THE EXTERNAL SECTOR ARE STRUCTURAL

--FALLING PRODUCTION OF TIN, BOLIVIA'S LIFE LINE, BECAUSE OF EXHAUSTED DEPOSITS, INADEQUATE INVESTMENT AND POOR ADMINISTRATION;

--FAILURE TO CONCLUDE A LONG-TERM GAS CONTRACT WITH BRAZIL, THE ONLY POTENTIAL MARKET FOR BOLIVIA'S VAST NATURAL GAS RESERVES;

--STAGNANT OIL EXPLORATION AND DEVELOPMENT SINCE OIL DEPOSITS HERE OCCUR IN COMBINATION WITH LARGER GAS RESERVES WHICH, AT THE MOMENT, CANNOT BE MARKETED.

3. NEVERTHELESS, A FINANCIAL STABILIZATION PROGRAM WOULD HELP CURB ACCELERATING INFLATION (AROUND 18 PERCENT), THE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LA PAZ 06251 041818Z

DEFICITS OF PUBLIC ENTERPRISES, AND THUS IMPORTS. THE CURRENT STRUCTURE OF EXTERNAL DEBT AND INVESTMENT IS NOT GOOD--CHARACTERIZED BY TOO MUCH PUBLIC BORROWING, A GROWING SHARE OF IT FROM COMMERCIAL BANKS, FOR RELATIVELY INEFFICIENT, LONG-TERM INVESTMENT BY PUBLIC ENTERPRISES--A MINI-MEXICAN CASE. THE BOLIVIANS HAVE RECENTLY DRAWN ON LOW - CONDITIONALITY, IMF FACILITIES (GOLD TRANCHE, COMPENSATORY FINANCING FACILITY) BUT COULD WELL USE A LONG-TERM, CONDITIONAL PROGRAM, PERHAPS INCLUDING USE OF THE EXTENDED FUND FACILITY. A SEPARATE TELEGRAM RECAPS THE EMBASSY'S BALANCE OF PAYMENTS ESTIMATES.

4. PEREDA, DESPITE THE JULY 21 COUP, IS NOT A HARD-DRIVING AMBITIOUS POLITICIAN. IN CONTRAST TO HIS CUNNING, POWER-BROKER PREDECESSOR HUGO BANZER, PEREDA APPEARS A MORE HAMLET-LIKE FIGURE. HE IS BASICALLY A WELL-MEANING NATIONALIST WHO WANTS TO AVOID REPRESSION. AS BANZER'S MINISTER OF INTERIOR FROM 1975 THROUGH 1977, PEREDA WAS LARGELY RESPONSIBLE FOR ELIMINATING THE REPRESSIVE PRACTICES WHICH CHARACTERIZED THE BANZER GOVERNMENT'S EARLIER YEARS. YET, PEREDA IS EASILY SWAYED BY THOSE AROUND HIM, WHO ARE GENERALLY A LACKLUSTER GROUP OF OPPORTUNISTS, LOW ON

IDEOLOGICAL GROUNDING, POLITICAL BACKING AND MORAL FIBER.

5. PEREDA IS SOMEWHAT RESENTFUL THAT THE US A) DECRIED THE FRAUDULENT PRACTICES BY WHICH PEREDA AND HIS MILITARY BACKERS TRIED TO WIN AN ABSOLUTE MAJORITY IN THE JULY 9 ELECTIONS, AND B) HELPED PUSH HIM AFTER THE COUP TOWARD NEW ELECTIONS BY WITHHOLDING "RECOGNITION" AND AID DECISIONS UNTIL HE DEFINED HIS POLICIES ON DEMOCRATIZATION AND HUMAN RIGHTS. YET HE IS BASICALLY FRIENDLY TO THE US AND HAS ALWAYS HAD CLOSE WORKING RELATIONS WITH US REPRESENTATIVES. PEREDA IS REALISTIC IN HIS APPRECIATION OF US INTERESTS AND REACTIONS AND OPENLY RECOGNIZES THAT IN ENCOURAGING RESPECT FOR HUMAN RIGHTS AND RETURN TO ELECTED, CIVILIAN GOVERNMENT IN BOLIVIA THE CARTER ADMINIS-
CONFIDENTIAL

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PAGE 04 LA PAZ 06251 041818Z

TRATION IS ONLY REINFORCING THE TIDE OF BOLIVIAN HISTORY AS CLEARLY REFLECTED IN THE JULY 9 ELECTIONS (IN WHICH A RECORD NUMBER OF BOLIVIANS TURNED OUT TO VOTE AGAINST CONTINUED MILITARY RULE).

6. IF, AS EXPECTED, PEREDA ANNOUNCES NEW ELECTION PLANS AND AMPLE HUMAN RIGHTS GUARANTEES IN HIS AUGUST 6 SPEECH, HE WILL BE LOOKING FOR CONTINUED US COOPERATION IN MEETING THE ECONOMIC PROBLEMS HE WILL FACE IN THE REST OF 1978 AND 1979. BECAUSE OF ITS EXTREME POVERTY BOLIVIA HAS BEEN RECENTLY OUR LARGEST AID PROGRAM IN LATIN AMERICA. IF ALL GOES WELL, WE WILL CONTINUE SUBSTANTIAL AID LEVELS. A LITTLE ENCOURAGEMENT TO PEREDA ON SEEKING IMF HELP IN ELABORATING AND FINANCING A STABILIZATION PLAN WOULD ALSO BE HELPFUL. PEREDA HIMSELF WILL NOT BE RUNNING IN THE NEXT ELECTIONS AND CAN PROBABLY AFFORD TO TAKE SOME TOUGH ECONOMIC DECISIONS ONCE HIS NEW POLITICAL DECLARATIONS HAVE GOTTEN ALL THE NERVOUS SOLDIERS BACK INTO THEIR BARRACKS.

7. PEREDA DOES NOT SPEAK ENGLISH.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESIDENT, GOVERNMENT OVERTHROW
Control Number: n/a
Copy: SINGLE
Draft Date: 04 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LAPAZ06251
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780319-0831
Format: TEL
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780898/aaaadeje.tel
Line Count: 158
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 90f7356a-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1837411
Secure: OPEN
Status: NATIVE
Subject: BOLIVIA'S NEW PRESIDENT, GENERAL JUAN PEREDA
TAGS: PINT, BL, (BANZER, HUGO), (PEREDA, JUAN)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/90f7356a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014